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Subject: Special Session - Capitol TRacker

The 20-day shutdown of state government is about to end. The House and Senate finished a marathon 13-hour special session just before 4 am this morning, passing nine budget bills, one bonding bill and the omnibus pension bill. The governor is expected to start signing bills this morning at 9. State government workers are expected to get a 24-hour notice to return to work, probably by Thursday.

Pension bill passes

The Omnibus Pension bill (HF 14/SF 7) passed by wide margins in both House and Senate and is headed to the governor's desk for signature. It is very similar to the bill reviewed and approved by the LCPR. It contains a number of mostly minor provisions. Elements of the bill that affect, or are related to, TRA include:

- A change in the automatic default plan for newly hired MnSCU employees who have service credit in another MN public plan. Currently, new MnSCU hires default into IRAP (defined contribution plan) which is typically not the best option if the employee has had prior service with TRA or another MN public plan. Under the bill, these new hires will default to TRA. TRA supported this change.
- St. Paul Teachers Retirement – Rather than an automatic 2% annual post-retirement increase provided under current law for St. Paul retired teachers, the bill would provide a lower COLA based on the funding ratio of the system. If the system's funding ratio is less than 80% (actuarial value measure), the COLA will be 1%; if the ratio is between 80% and 90%, the COLA will be 2% and if the ratio exceeds 90%, the COLA will equal inflation up to 5%. These provisions would lower St. Paul's liabilities and allow it to improve its long-term financial sustainability.
- An individual bill that helps a TRA member who was omitted from the part-time teacher program for one year due to an error made by the Hopkins School District.
- In a separate bill (state government finance), the Pension Commission will be expanded from five to seven members from each chamber, effective January 2013.

State government bill scaled back

The state government finance bill (HR 27/ SF 12) would reduce spending for state government agencies by 7.7%, a much lower reduction compared to the 32% reduction proposed in the original state government bill passed last May.

The controversial proposal to reduce the state's workforce by 15% by 2015 was dropped from the bill. Also dropped was the proposal to shift \$90 million of state employees' health insurance costs from the state to workers. The bill contained no early retirement incentives.

The bill would establish a Sunset Advisory Commission to explore opportunities to eliminate, combine or reorganize state agencies. A rotating 12-year schedule would be established for the commission to review each agency.

Under the bill, the Office of Enterprise Technology would assume control of all of the state's information technology operations, procurement and staff. The three retirement systems and SBI will be exempt from this provision.

Education Finance bill passes

The education finance bill (HF 26/SF 11) increased the school aid shift by an additional \$780 million. Under the shift, schools would receive 60% (instead of the 70% proposed in the earlier bill) of anticipated funding during the first year of the biennium. The school aid formula will increase by \$50 per pupil in the first year and \$100 per pupil in the second year in an attempt to offset borrowing costs which school districts are likely to incur to meet cash flow needs due to the shift.

Under the bill, districts will also be required to develop a teacher evaluation process along with peer coaching for continuing contract and probationary teachers. Districts are also to develop and implement a performance-based system for annually evaluating school principals.

IMPORTANT NOTE: My email address has changed to lhacking@minnesotatra.org. It is important to update your email contact information because my previous email will soon be no longer accessible.

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